What to expect in 2014 …
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• Moderate economic growth in the US and Maryland
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  – US policy changes and regulatory uncertainty
  – Slower growth abroad
• Inflation is expected to remain low
FOMC anticipates moderate increase in growth
FOMC anticipates moderate increase in growth

Source: Federal Reserve/Bureau of Economic Analysis/Haver Analytics
Surveys indicate moderate growth

**Maryland Business Activity Index**

percent responding "higher" less percent responding "lower"

Source: Federal Reserve Bank of Richmond/Haver Analytics
Surveys indicate moderate growth

Source: Federal Reserve Bank of Richmond/Haver Analytics
Modest personal income growth in recent years

Real Personal Income Growth

percent change, year/year

-4 -2 0 2 4 6


- Maryland
Q4-2013 = -0.0%

- US
Q4-2013 = 0.4%

Source: Bureau of Economic Analysis/Haver Analytics
Labor market weakened in Maryland over past year

Source: Bureau of Labor Statistics/Haver Analytics
Maryland Industry Growth
Percent Change in Employment from a Year Ago, NSA

April 2014

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>Maryland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources &amp; Construction</td>
<td>0.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>1.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-2.3</td>
<td>0.9</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>0.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Information</td>
<td>-8.8</td>
<td>-1.3</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>0.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>1.9</td>
<td>3.6</td>
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<tr>
<td>Education &amp; Health Services</td>
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<td>Leisure &amp; Hospitality</td>
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<td>2.8</td>
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<tr>
<td>Government</td>
<td>-1.3</td>
<td>0.0</td>
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</tbody>
</table>

YoY % Change

-10.0  -8.0  -6.0  -4.0  -2.0  0.0  2.0  4.0  6.0
Maryland Industry Growth
Percent Change in Employment from a Year Ago, NSA

April 2014

Total
Natural Resources & Construction
Manufacturing
Trade, Transportation & Utilities
Information
Financial Activities
Professional & Business Services
Education & Health Services
Leisure & Hospitality
Other Services
Government

U.S.
Maryland

YoY % Change
Maryland Industry Growth
Percent Change in Employment from a Year Ago, NSA

April 2014

- Total
- Natural Resources & Construction
- Manufacturing
- Trade, Transportation & Utilities
- Information
- Financial Activities
- Professional & Business Services
- Education & Health Services
- Leisure & Hospitality
- Other Services
- Government

U.S. vs Maryland

YoY % Change

-10.0 -8.0 -6.0 -4.0 -2.0 0.0 2.0 4.0 6.0
Maryland Industry Growth
Percent Change in Employment from a Year Ago, NSA

April 2014

Total
Natural Resources & Construction
Manufacturing
Trade, Transportation & Utilities
Information
Financial Activities
Professional & Business Services
Education & Health Services
Leisure & Hospitality
Other Services
Government

↑ US
↑ Maryland

-10.0 -8.0 -6.0 -4.0 -2.0 0.0 2.0 4.0 6.0
YoY % Change
Maryland Industry Growth
Percent Change in Employment from a Year Ago, NSA

April 2014

- Total
- Natural Resources & Construction
- Manufacturing
- Trade, Transportation & Utilities
- Information
- Financial Activities
- Professional & Business Services
- Education & Health Services
- Leisure & Hospitality
- Other Services
- Government

YoY % Change
-10.0 -8.0 -6.0 -4.0 -2.0 0.0 2.0 4.0 6.0

U.S. Maryland
Maryland Professional & Business Services

Source: Bureau of Labor Statistics/Haver Analytics
Maryland Professional & Business Services

Source: Bureau of Labor Statistics/Haver Analytics
Maryland Professional & Business Services

Source: Bureau of Labor Statistics/Haver Analytics
Maryland Professional & Business Services

Source: Bureau of Labor Statistics/Haver Analytics
Labor market slowly recovering

Unemployment Rate

Source: Bureau of Labor Statistics/Haver Analytics
Labor market slowly recovering

Source: Bureau of Labor Statistics/Haver Analytics

Labor Force Participation Rate

percent

74
72
70
68
66
64
62
60
58
75 80 85 90 95 00 05 10

Maryland
Mar2014 = 66.6%

US
Apr2014 = 62.8%
## Unemployment and Labor Force by County

<table>
<thead>
<tr>
<th>Region</th>
<th>Unemployment Rate (%, NSA)</th>
<th>Labor Force (NSA)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2014</td>
<td>YoY Level Change</td>
</tr>
<tr>
<td>Capital Region</td>
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<tr>
<td>Frederick</td>
<td>5.0</td>
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<tr>
<td>Montgomery</td>
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<tr>
<td>Prince George's</td>
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<td>-0.7</td>
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<td>Anne Arundel</td>
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<td>-0.6</td>
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<td>Baltimore City</td>
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<td>-1.2</td>
</tr>
<tr>
<td>Baltimore County</td>
<td>6.1</td>
<td>-1.0</td>
</tr>
<tr>
<td>Carroll</td>
<td>5.3</td>
<td>-0.8</td>
</tr>
<tr>
<td>Harford</td>
<td>5.9</td>
<td>-1.1</td>
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<tr>
<td>Howard</td>
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<td>-0.7</td>
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<tr>
<td>Central Region</td>
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<tr>
<td>Caroline</td>
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<td>Cecil</td>
<td>7.2</td>
<td>-1.5</td>
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<tr>
<td>Dorchester</td>
<td>9.0</td>
<td>-1.4</td>
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<tr>
<td>Kent</td>
<td>7.1</td>
<td>-0.7</td>
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<tr>
<td>Queen Anne's</td>
<td>5.6</td>
<td>-0.7</td>
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<tr>
<td>Somerset</td>
<td>9.0</td>
<td>-1.7</td>
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<tr>
<td>Talbot</td>
<td>6.5</td>
<td>-1.1</td>
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<td>Wicomico</td>
<td>7.7</td>
<td>-0.9</td>
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<td>Worcester</td>
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<td>-1.2</td>
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<td>Eastern Shore</td>
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<tr>
<td>Calvert</td>
<td>5.1</td>
<td>-0.5</td>
</tr>
<tr>
<td>Charles</td>
<td>5.5</td>
<td>-0.7</td>
</tr>
<tr>
<td>Saint Mary's</td>
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<td>-0.7</td>
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<tr>
<td>Allegany</td>
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<td>-0.8</td>
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<tr>
<td>Garrett</td>
<td>7.3</td>
<td>-1.2</td>
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<tr>
<td>Washington</td>
<td>7.3</td>
<td>-0.9</td>
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</tbody>
</table>

**Source:** Bureau of Labor Statistics/Haver Analytics
Housing market continues to improve

Source: Bureau of Labor Statistics/Haver Analytics
Housing market continues to improve

<table>
<thead>
<tr>
<th>Region</th>
<th>Frederick</th>
<th>Montgomery</th>
<th>Prince George's</th>
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<th>Baltimore County</th>
<th>Carroll</th>
<th>Harford</th>
<th>Howard</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Units</td>
<td>3,191</td>
<td>14,779</td>
<td>9,609</td>
<td>7,006</td>
<td>6,954</td>
<td>8,563</td>
<td>1,990</td>
<td>2,720</td>
<td>4,209</td>
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<td>2005 Units</td>
<td>4,672</td>
<td>17,011</td>
<td>15,067</td>
<td>9,347</td>
<td>11,539</td>
<td>11,741</td>
<td>2,377</td>
<td>4,103</td>
<td>4,866</td>
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<tr>
<td>2008 Units</td>
<td>2,159</td>
<td>8,516</td>
<td>4,916</td>
<td>4,725</td>
<td>5,404</td>
<td>6,332</td>
<td>1,238</td>
<td>2,321</td>
<td>2,684</td>
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<td>2013 Units</td>
<td>3,112</td>
<td>11,406</td>
<td>8,601</td>
<td>6,626</td>
<td>6,382</td>
<td>7,967</td>
<td>1,704</td>
<td>2,678</td>
<td>3,458</td>
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<td>‘12 to ‘13</td>
<td>16.8</td>
<td>13.0</td>
<td>2.8</td>
<td>36.4</td>
<td>19.3</td>
<td>11.5</td>
<td>10.9</td>
<td>16.4</td>
<td>10.2</td>
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<td>‘00 to ‘13</td>
<td>-2.5</td>
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<td>-10.5</td>
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<td>-14.4</td>
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<tbody>
<tr>
<td>2000 Units</td>
<td>309</td>
<td>921</td>
<td>282</td>
<td>241</td>
<td>667</td>
<td>109</td>
<td>616</td>
<td>874</td>
<td>2,199</td>
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<tr>
<td>2005 Units</td>
<td>493</td>
<td>1,446</td>
<td>510</td>
<td>295</td>
<td>932</td>
<td>253</td>
<td>782</td>
<td>1,076</td>
<td>2,163</td>
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<tr>
<td>2008 Units</td>
<td>223</td>
<td>705</td>
<td>239</td>
<td>156</td>
<td>356</td>
<td>96</td>
<td>372</td>
<td>713</td>
<td>988</td>
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<tr>
<td>2013 Units</td>
<td>264</td>
<td>893</td>
<td>262</td>
<td>211</td>
<td>627</td>
<td>156</td>
<td>512</td>
<td>820</td>
<td>1,692</td>
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<td>‘12 to ‘13</td>
<td>11.9</td>
<td>14.6</td>
<td>-7.1</td>
<td>14.1</td>
<td>17.2</td>
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<td>14.8</td>
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<tr>
<td>‘00 to ‘13</td>
<td>-14.6</td>
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<td>-23.1</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Calvert</th>
<th>Charles</th>
<th>Saint Mary's</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Units</td>
<td>1,298</td>
<td>1,677</td>
<td>1,013</td>
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<tr>
<td>2005 Units</td>
<td>1,675</td>
<td>3,157</td>
<td>1,731</td>
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<tr>
<td>2008 Units</td>
<td>705</td>
<td>1,269</td>
<td>958</td>
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<tr>
<td>2013 Units</td>
<td>1,103</td>
<td>1,834</td>
<td>1,127</td>
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<td>‘12 to ‘13</td>
<td>16.7</td>
<td>19.6</td>
<td>17.3</td>
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<td>‘00 to ‘13</td>
<td>-15.0</td>
<td>9.4</td>
<td>11.3</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Allegany</th>
<th>Garrett</th>
<th>Washington</th>
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<tbody>
<tr>
<td>2000 Units</td>
<td>564</td>
<td>445</td>
<td>1,252</td>
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<tr>
<td>2005 Units</td>
<td>805</td>
<td>563</td>
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<td>2008 Units</td>
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<td>2013 Units</td>
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<td>‘00 to ‘13</td>
<td>-23.9</td>
<td>-19.8</td>
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**MARYLAND**

<table>
<thead>
<tr>
<th>Units Sold</th>
<th>Percent Change</th>
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<tbody>
<tr>
<td>71,488</td>
<td>12.4</td>
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<tr>
<td>98,858</td>
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<td>46,910</td>
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<td>63,556</td>
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</tbody>
</table>

**Source:** Maryland Association of Realtors/Haver Analytics
Housing market continues to improve

Maryland Housing Permits
units, 12-month moving average

- **Single-family (lhs)**
  - Mar 2014 = 914

- **Multi-family (rhs)**
  - Mar 2014 = 579

Source: Census Bureau/Haver Analytics
Housing market continues to improve

House Price Indexes
percent change, year/year

Q4-2013 = 1.7%  MD FHFA
Mar2014 = 6.3%  MD Core Logic
Q4-2013 = 4.8%  US FHFA
Mar2014 = 11.1%  US Core Logic

Source: FHFA/Core Logic/Haver Analytics
But challenges remain in the mortgage market

Source: Mortgage Bankers Association/Haver Analytics
Serious Delinquency Rate (90+ Day & In Foreclosure)

Source: Staff calculations based on data provided by LPS Applied Analytics
Serious Delinquency Rate (90+ Day & In Foreclosure)

March 2013

Source: Staff calculations based on data provided by LPS Applied Analytics
In Summary

• Expectations for moderate growth in 2014
  – A number of factors continue to restrain consumer spending & business hiring/investment
  – Housing market recovery has taken hold & set to continue
  – Job growth expected to improve & unemployment rate to edge lower

• Uncertainty remains a significant factor
  – Regulatory uncertainty—financial sector, health care, environmental

• Monetary policy continues to be very accommodative to promote economic growth and price stability
The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.